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C O N F I D E N T I A L SECTION 01 OF 02 PORT MORESBY 000274

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FOR EAP/ANP

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TAGS: PGOV PREL PP

SUBJECT: PONZI POLITICS

REF: PORT MORESBY 144

CLASSIFIED BY: THOMAS WEINZ, CHARGE D' AFFAIRES, CDA, STATE.

REASON: 1.4 (b), (d)

¶11. (C) COMMENT: Steeped in traditional magic and innocent of modern economies, PNG's citizens prove easy marks for Ponzi schemes which proliferate throughout the country. Now it's election time (May 2007) and the politicians are dusting off their bottles of snake oil. Viewed from afar, or from a national perspective, it's an appalling spectacle of disregard for governance.

¶12. (C) If all politics is local, politics in PNG - with 830 languages, myriad cultures and thousands of clans - is Tip O'Neil on steroids. One would have to search far to find a single citizen whose vote was determined by national issues. Though the rhetoric can be read as national, it's really all about balancing interests and egos. Though this government, and the current crop of leaders on the national scene, have presided over a steady, nationwide deterioration of services - closure of health centers and schools, collapse of effective policing and a steady rise in violent crime - little mention of this can be expected during the campaign to come. Instead the themes will be the ageless ones of which clan/village can get its man into government and reap the benefits thereby.

¶13. (C) There are some modest signs of hope that a beneficial order may emerge out of the next several elections in PNG. For what it is worth, our current bet is that there are enough old bulls wanting the national stage to stop Somare from bluffing his way into the top spot again. However, only time will tell, and those details will have to wait for a later analytical cable. Ever since independence 30 years ago, each five-year election cycle has brought 12 months of budget imbalances and a time of seeming national fecklessness. So far, this cycle is no different. END COMMENT.

¶14. (C) For the past four years, Noah Musingku has controlled a sizable chunk of Bougainville through the vehicle of U-Vistract, a classic Ponzi scheme where "investors" deposit money in return for an improbably fantastic return at a later date. How has he deceived so many for so long? One might as well question the enthusiastic response Prime Minister Somare received when he improbably pledged to create a new province from the Southern Highlands region of Hela. Early this week, he made this commitment to Southern Highlands migrants eligible to vote in the upcoming Port Moresby by-election. The only problem is, he made an identical commitment five years ago when he was running to displace Merkere Morauta as Prime Minister. Somare won, and

will finish his five years in office without taking any steps toward creating the new province. However, he knows that the snide comments made by expatriate observers of this show mean nothing. The rubes will vote for him again.

¶5. (C) In the three months since reftel, there have been ample other signs of the government abandoning all pretenses of good governance to prepare for the mud wrestling of election year.

¶6. (C) In April, the government engineered an almost doubling of each MP's discretionary allowance to roughly US\$175,000 per member, serious money in this underdeveloped nation. The P.M. explained that, since the government had not been able to deliver services previously, this would be the best way of getting funds "...to the people."

¶7. (C) With government support, Parliament is moving to curb the powers of the Office of the Ombudsman. That office, established in the constitution, has been the only effective voice in curbing abuses of power. Even though its maximum sanction on politicians has proven to be a three-year ban from office (which includes immunity from being charged in court with the same offenses) this appears to have been too much. The current move is to restrict the Ombudsman to "strict rules of evidence". In practice that means the Ombudsman must prove any case before he can begin an investigation. A more serious move is quietly being made to restrict the Ombudsman's budget.

¶8. (C) On July 5, Prime Minister Somare completed his Cabinet revamp into election mode. Bart Philemon, who as Finance Minister and Treasurer had restored fiscal balance to government, was finally removed from the cabinet. Philemon had earlier challenged Somare for the party leadership and on July 7 announced that he will petition the National Alliance Party for an official and amicable release, so he can form his own

PORT MORES 00000274 002 OF 002

political party. There were a flurry of other moves including Somare unaccountably assuming the Foreign Minister's portfolio. In further defiance of the Ombudsman, Somare appointed his son Arthur, who had stepped down while under investigation by the Ombudsman, as Minister of State Enterprises, Communication and Information. Propriety may have its place, but not during an election year.

WEINZ